

VZCZCXRO4506
PP RUEHGR
DE RUEHKG #0302/01 1101957
ZNR UUUUU ZZH
P 201957Z APR 09
FM AMEMBASSY KINGSTON
TO RUEHC/SECSTATE WASHDC PRIORITY 7526
INFO RUCNCOM/EC CARICOM COLLECTIVE
RUEHMD/AMEMBASSY MADRID 0324
RUEHUB/USINT HAVANA 0132
RUEHLO/AMEMBASSY LONDON 0561
RUEHME/AMEMBASSY MEXICO 2954
RUEATRS/DEPT OF TREASURY WASHDC

UNCLAS SECTION 01 OF 02 KINGSTON 000302

SIPDIS
SENSITIVE

STATE FOR WHA/CAR (ACADIEUX) (VDEPIRRO) (WSMITH)
SANTO DOMINGO FOR FCS AND FAS
TREASURY FOR ERIN NEPHEW

E.O. 12958: N/A
TAGS: [ECON](#) [ENRG](#) [SENV](#) [EAIR](#) [SOCI](#) [ETRD](#) [ASEC](#) [SNAR](#) [KCRM](#)
TRSY, XL, JM, CU, SP
SUBJECT: JAMAICA: TOURISM SECTOR TRENDS

REF: A) KINGSTON 269
B) KINGSTON 245
C) KINGSTON 223

¶1. (SBU) SUMMARY. Emboffs met with Minister of Tourism Edmond Bartlett on March 31 to discuss trends in the sector, including security precautions in response to rising crime, the future of tourism competition from Cuba, and the issue of airlift in light of Air Jamaica's upcoming divestiture. In a separate meeting, Bruce Nobles, President and CEO of Air Jamaica, discussed the airlines' appeal to members of the Jamaican Diaspora and its changes to reduce costs and increase profitability. END SUMMARY.
Minister Praised US and Its Market

¶2. (SBU) Bartlett praised the continued strong support from the USA to Jamaica and its importance as the dominant source of visitors to the island. He opined that the USA has supplanted the UK as Jamaica's paramount partner, describing ?a deep and abiding relationship worthy of nurturing.? In regard to current global economic downturn, he said, ?No matter how battered and bruised the U.S. economy is, it remains our legacy market and our best market...and we will maintain a major marketing presence there.?
Tourism Is Lifeblood of Economy

¶3. (SBU) Bartlett stated that the Caribbean, and by extension, Jamaica, is the most tourism-dependent region in the world. He said, ?Tourism is the lifeblood for the economy,? adding, ?tourist arrivals drove demand for other industries and were a catalyst for agriculture, manufacturing, information technology and energy.? He opined, ?People must understand the dynamics of the sector ? if the product suffers it can be devastating to the entire economy, especially in a context where the cost structure of agriculture makes it difficult to compete.? He was quick to point out that Jamaica was still experiencing strong arrivals despite the global recession, and maintained that although there could be a downturn later this year, he was not expecting a steep decline.

Visitors: Facts and Figures

¶4. (SBU) Total visitor arrivals were 2,856,172 for 2008. This figure is down slightly (.08 percent) from 2007. The decline came from cruise ship arrivals, which fell 7.7 percent; other stopover visits actually rose 3.9 percent for the year. Jamaica has four cruise ships slots on the North coast: two in Montego Bay, and two in Ocho Rios. Plans for a new wharf in the port town of Falmouth would add two new slots for the newly created Genesis-class ships, capable of carrying 5,400

guests (reflets). The new wharf, expected to be completed in May, 2010, will allow for more than 10,800 new visitors plus crew for days in which ships make a port call. Jamaica is also seeing a significant increase in visitors from Canada, which Bartlett says is a major growth market.

Air Jamaica Privatization

¶15. (SBU) When asked about any possible impact of the privatization of Air Jamaica on the sector, he said that it does not matter who owns the airline, as long as airlift is not compromised. He emphasized that strong marketing, a positive brand, and airlift security are the core of the country's tourism model. ?Like most Jamaicans a part of me is emotionally tied to Air Jamaica, but we must face the harsh reality that we cannot, as a country, afford to carry the financial losses anymore.? NOTE: Air Jamaica provides significant cargo lift, as well as bringing 32 percent of all tourists to Jamaica. End Note. He added that Air Jamaica's niche is in serving the Jamaica Diaspora community.

Air Jamaica's CEO

¶16. (SBU) Bruce Nobles, President and CEO of Air Jamaica, confirmed to Econoff on April 9 that 50 percent of the airlines clients are ethnic Jamaicans. He said since he started running the airline (reflets) in October, 2008, he has increased load factor from about 60 percent to 73 percent. He said the airline also pulled out of destinations such as Atlanta and Miami which were not cost effective and increased flights out of the more profitable route of Fort Lauderdale. He said his efforts at restructuring had generated renewed interest by potential buyers of the airline, which he hopes

KINGSTON 00000302 002 OF 002

can be sold by July 2009 (reflets).

Ebb and Flow of Spanish Investment

¶17. (SBU) Bartlett also discussed the upsurge in Spanish investment over the past few years, including the construction of thousands of new hotel rooms on the North Coast. He said the investment is seminal in that it has produced a critical mass of arrivals. Since many of these Spanish hotel chains are well established in Europe, they also provide a global marketing network. Ownership linkages in Mexico, the Dominican Republic, and Cuba also provide the Spanish with the option of marketing multiple destinations to tourists from Europe. He also attributed the recent surge in arrivals from Canada to the Spanish investment, with the clearest indication being a recent diversion of Canadians from Spanish chains in Cuba to similar ones in Jamaica. ?In fact, Jamaica's growth in the current difficult market was solely due to a shift in share from these markets and not an expansion of the pie?, he explained. Although he welcomed the trend of increased arrivals, he was careful to point out that there was a downside, as Spanish hotels operate at a level of efficiency that makes it significantly harder for smaller indigenous properties to compete on price and making it harder for some of these operators to survive.

Cuban Threat

¶18. (SBU) Bartlett was optimistic about a possible opening of the Cuban market to U.S. tourists and does not see it as a threat. He reasoned that any lessening of travel restrictions to Cuba by U.S. visitors, if it were to occur, would provide an opportunity to market joint Cuba/Jamaican packages. He admitted that the Cuban market would come with a certain mystique given the curiosity of visitors who have not been able to visit the island in recent history; it was once a playground for American travelers. However, he said the physical infrastructure might not be able to support tourism growth. He said he expected a short term spike in visitors that would taper off, but either way would not have a real negative impact on Jamaica.

Crime A Present Danger

¶19. (SBU) In light of the recent evidence of a slight uptick in crime against tourists, emboffs asked what the Government

of Jamaica (GOJ) was doing in response. (NOTE: this conversation was held prior to the April 19 armed robbery and hijacking attempt aboard a Canadian CanJet airplane at Sangster International Airport in Montego Bay, subject of septel, in which a gunman boarded a flight while workers were loading baggage and took the passengers and crew hostage. The incident was resolved without any casualties by Jamaican authorities. End Note. Bartlett said it was ironic that Jamaica was currently benefitting from a diversion of visitors from Mexico following an upsurge of drug related violence in that country. However, he said Mexico's recent challenges are not lost on Jamaica, given the country's own struggles with crime. ?Crime is a problem in Jamaica and we have to at least show the world that we are doing something about it,? he said. He outlined some of the measures being introduced to address the problem. Chief among these was the introduction of increased security to police resort areas. Other measures include a mobile command center and closed circuit television surveillance capability in Montego Bay. The security measures are to be complemented by social intervention and customer service training programs.

COMMENT

¶10. (SBU) Jamaica continues to rely on tourism for nearly 20 percent of its GDP, as well as the spin-off benefits of consumption of goods and services by tourists from local businesses. The GOJ is confident of its ability to secure repeat visits by tourists, and believes it will continue to weather any challenges, including a prolonged recession in the US economy, potential competition from other destinations, or rising domestic crime. The GOJ has an excellent tourism marketing campaign, but may underestimate the negative fallout that could occur in the event of a high profile criminal act against tourists. It remains to be seen how the hostage incident at Montego Bay will affect arrivals, but as there were no injuries, it may not leave a lasting impression.

HEG